

Message Text

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C O N F I D E N T I A L STATE 013694

E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. LONDON WARY OF IRANIAN OIL BARTER PROPOSAL

EMBASSY LONDON REPORTS THAT IRANIAN PROPOSALS FOR OIL
BARTER DEALS HAVE PUT BRITISH OFFICIALS ON THE SPOT.
TRADE SECRETARY DELL TOLD THE IRANIANS THAT HMG WOULD NOT
OPPOSE SUCH ARRANGEMENTS FOR MILITARY SALES, BUT HAD
RESERVATIONS ABOUT BARTER DEALS IN THE CIVILIAN SECTOR.
NEVERTHELESS, BRITAIN DOES NOT WISH TO JEOPARDIZE ITS
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SUBSTANTIAL EXPORT TRADE WITH IRAN BY A FLAT REJECTION,
AND THE FOREIGN OFFICE HAS PREPARED A DEFENSE OF THE IDEA
IN CASE FOREIGN SECRETARY CROSLAND NEEDS TO EXPLAIN IT TO
BRITAIN'S EC PARTNERS.

EMBASSY COMMENT: TEHRAN APPEARS TO HAVE SELECTED THE UK
AS A PRIME TARGET IN AN ATTEMPT TO ASSURE INCREASED LONG-

TERM OIL EXPORTS THROUGH A COMPLICATED BARTER SYSTEM. BRITAIN'S ECONOMIC PROBLEMS DO NOT ALLOW HMG TO REFUSE, BUT ANY NEGOTIATIONS MAY WELL BOG DOWN IN THE COMPLEXITIES OF THE TWO-TIER PRICING SYSTEM. (CONFIDENTIAL)
LONDON 915, 1/18.

2. WEST BANK ISSUE THREATENS ISRAELI COALITION

EMBASSY TEL AVIV REPORTS THAT RABIN'S LABOR PARTY MAY LOSE THE UNITED WORKERS PARTY (MAPAM) AS ITS COALITION PARTNER IF LABOR CONTINUES ITS HARD-LINE STANCE ON WEST BANK TERRITORY OR CHOOSES DEFENSE MINISTER PERES OVER RABIN TO HEAD ITS LIST IN UPCOMING ELECTIONS. MAPAM'S POLITICAL COMMITTEE RECOMMENDED A BREAK WITH LABOR UNLESS IT AGREES BY JANUARY 30 TO MODERATE ITS POSITION ON NEGOTIATIONS WITH THE ARAB COUNTRIES AND SPECIFICALLY STATES ITS WILLINGNESS TO CEDE TERRITORY ON THE WEST BANK.

EMBASSY COMMENT: DESPITE RABIN'S STRENUOUS EFFORTS TO CONVINCE MAPAM TO REMAIN, THE PARTY APPEARS INCLINED TO BREAK UP THE COALITION. MAPAM'S DEPARTURE WOULD SEEMINGLY MOVE THE LABOR PARTY TO THE RIGHT, AS WOULD SELECTION OF PERES AS PARTY CHIEF. (LIMITED OFFICIAL USE)
TEL AVIV 391, 1/19.

3. SOVIETS SPURN ITALY'S LATEST CREDIT OFFER

AN ITALIAN EMBASSY OFFICIAL TOLD EMBASSY MOSCOW THAT THE
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USSR HAS SPURNED THE GOI'S LATEST PROPOSAL TO EXTEND A FRESH LINE OF CREDIT. HE SAID THE TERMS OF THE OFFER WERE SOMEWHAT STRICTER THAN OECD GUIDELINES FOR CREDIT TO COMMUNIST COUNTRIES, BUT PREDICTED THE SOVIETS WILL EVENTUALLY ACCEPT THEM BECAUSE "THEY NEED THE MONEY." THE OFFICIAL ALSO PROVIDED THE ITALIAN GOVERNMENT'S ASSESSMENT THAT THE SOVIET HARD-CURRENCY DEBT RANGES FROM \$15 TO \$18 BILLION, WITH A 21-22 PERCENT DEBT SERVICE RATIO.

EMBASSY COMMENT: THE SOVIETS MAY BE LESS DESPERATE THAN THE ITALIANS SUPPOSE, AND THE ITALIAN ESTIMATE OF THE SOVIET DEBT HAS CONSISTENTLY BEEN SOMEWHAT HIGHER THAN OURS. IN ANY CASE, CALLING THE SOVIETS' BLUFF IS NEVER EASY, PARTICULARLY SINCE THE USSR REALIZES THAT OTHER WESTERN TRADING PARTNERS WILL BE WATCHING CLOSELY TO SEE HOW FAR IT WILL BEND. (CONFIDENTIAL) MOSCOW 800, 1/18.

4. INDIA: WHY INDIRA CALLED ELECTIONS

EMBASSY NEW DELHI REPORTS THAT PRIME MINISTER GANDHI'S SURPRISE DECISION TO HOLD PARLIAMENTARY ELECTIONS IN MARCH AFTER A YEAR AND A HALF OF EMERGENCY RULE MIGHT HAVE BEEN MOTIVATED BY A DESIRE TO CATCH THE OPPOSITION OFF GUARD. GANDHI REPORTEDLY TOLD HER CABINET THE REASON FOR HER DECISION WAS THAT IT WOULD BE POLITICALLY MORE DIFFICULT FOR THE CONGRESS PARTY TO WIN IF THE ELECTIONS WERE HELD LATER THIS YEAR. THE EMBASSY SUGGESTS SHE MAY ALSO HAVE BEEN INFLUENCED BY:

--THE SUCCESS OF HER ATTACK ON THE COMMUNISTS, WHO ARE NOW TOO WEAK TO POSE A MAJOR THREAT AT THE POLLS;

--CONCERN FOR HER IMAGE IN THE WEST; AND

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--HER UNWILLINGNESS TO BE OUTDONE BY PRIME MINISTER BHUTTO, WHO RECENTLY ANNOUNCED THAT PAKISTAN WILL HOLD ELECTIONS MARCH 7. (CONFIDENTIAL) NEW DELHI 907, 1/19.
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